

**SOUTH COAST EDUCATIONAL  
COLLABORATIVE**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## TABLE OF CONTENTS

JUNE 30, 2011

	<b>Page No.</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Balance Sheets	2
Statements of Activity and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-11
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13



**Business Advisors  
Certified Public Accountants**

To the Board of Directors  
South Coast Educational Collaborative  
Swansea, Massachusetts

### **Independent Auditors' Report**

We have audited the accompanying balance sheets of South Coast Educational Collaborative (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activity and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Coast Educational Collaborative as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2011 on our consideration of South Coast Educational Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Pavento, Ratcliffe, Renzi & Co. LLC*

September 13, 2011

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## BALANCE SHEETS - JUNE 30, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$2,039,482	\$2,275,891
Accounts receivable	2,268,295	1,625,157
Prepaid expenses	<u>181,685</u>	<u>173,152</u>
Total current assets	<u>4,489,462</u>	<u>4,074,200</u>
FIXED ASSETS	<u>1,108,462</u>	<u>1,130,448</u>
Total assets	<u>\$5,597,924</u>	<u>\$5,204,648</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 827,555	\$ 528,101
Unearned revenue	<u>1,239,161</u>	<u>822,958</u>
Total current liabilities	<u>2,066,716</u>	<u>1,351,059</u>
NET ASSETS:		
Unrestricted	<u>3,531,208</u>	<u>3,853,589</u>
Total net assets	<u>3,531,208</u>	<u>3,853,589</u>
Total liabilities and net assets	<u>\$5,597,924</u>	<u>\$5,204,648</u>

*The accompanying notes are an integral part of these financial statements.*

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
UNRESTRICTED NET ASSETS:		
Unrestricted support and revenue:		
Direct service and administrative	\$13,957,315	\$14,299,666
Interest income	<u>5,897</u>	<u>7,897</u>
Total unrestricted support and revenue	<u>13,963,212</u>	<u>14,307,563</u>
Expenses:		
Administrative expenses	1,956,741	1,916,247
Program expenses	<u>12,328,852</u>	<u>12,188,990</u>
Total expenses	<u>14,285,593</u>	<u>14,105,237</u>
Increase (decrease) in unrestricted net assets	<u>(322,381)</u>	<u>202,326</u>
Increase (decrease) in net assets	(322,381)	202,326
NET ASSETS, BEGINNING OF YEAR	<u>3,853,589</u>	<u>3,651,263</u>
NET ASSETS, END OF YEAR	<u>\$ 3,531,208</u>	<u>\$ 3,853,589</u>

*The accompanying notes are an integral part of these financial statements.*

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (322,381)	\$ 202,326
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities-		
Depreciation	56,725	58,038
Amortization	27,329	84,593
(Increase) decrease in current assets-		
Accounts receivable	(643,138)	946,840
Prepaid expenses	(8,533)	(42,412)
Increase (decrease) in current liabilities-		
Accounts payable and accrued expenses	299,454	45,280
Unearned revenue	<u>416,203</u>	<u>(251,186)</u>
Net cash provided (used) by operating activities	<u>(174,341)</u>	<u>1,043,479</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, equipment, and structures	<u>(62,068)</u>	<u>(26,790)</u>
Net cash used by investing activities	<u>(62,068)</u>	<u>(26,790)</u>
NET INCREASE (DECREASE) IN CASH	(236,409)	1,016,689
CASH AT BEGINNING OF YEAR	<u>2,275,891</u>	<u>1,259,202</u>
CASH AT END OF YEAR	<u>\$2,039,482</u>	<u>\$2,275,891</u>

*The accompanying notes are an integral part of these financial statements.*

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Coast Educational Collaborative provides educational programs and services, which primarily serve the low-incidence special needs of children and adults (aged three through twenty-two). In addition, the Collaborative provides professional development programs and services that enhance education improvement and leadership. Provision of services is confined to public school systems in the Southeastern Massachusetts and Rhode Island regions.

#### *(a) Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein may be classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

#### *(b) Contributions*

The Organization recognizes all contributed support as revenue when it is received or unconditionally pledged. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*(e) Accounts Receivable*

Trade accounts receivable consist of amounts due from municipalities for program services. As such, no allowance for doubtful accounts is deemed necessary.

(2) TAX STATUS

South Coast Educational Collaborative is an exempt organization under Internal Revenue Code Section 501(c)(3) and is not a private foundation. The Collaborative is also exempt from Massachusetts income taxes.

(3) FIXED ASSETS

The majority of the Collaborative's plant and equipment is provided through operating leases. The Collaborative capitalizes expenditures for major renewals with costs in excess of \$10,000 that extend the useful lives of property and equipment.



# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

(3) FIXED ASSETS (continued)

Property and equipment are summarized by major classification as follows:

	2011	2010
Land	\$ 437,400	\$ 437,400
Building & equipment	1,071,116	1,036,116
Leasehold improvements	<u>473,365</u>	<u>446,297</u>
	1,981,881	1,919,813
Less-Accumulated depreciation and amortization	<u>873,419</u>	<u>789,365</u>
	<u>\$1,108,462</u>	<u>\$1,130,448</u>

Depreciation on the building is computed using the straight-line method.

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was \$84,054 and \$142,631, respectively.

(4) RETIREMENT BENEFIT PLAN

Most employees of the Collaborative are covered by either the Massachusetts Teachers' Retirement System (MTRS) or the Commonwealth of Massachusetts Employee's Retirement System (CMERS) depending on their employment position. The Commonwealth of Massachusetts made additional contributions to the Massachusetts Teachers Retirement Board on behalf of retired Collaborative employees of \$169,220 and \$117,198 for fiscal years ending June 30, 2011 and 2010, respectively.

Massachusetts Teachers' Retirement System (MTRS) -

MTRS is a cost sharing public teachers retirement system covering all persons employed in certified positions on at least a half-time basis. The Commonwealth is required to make actuarially determined contributions that maintain the financial integrity of the retirement system. Participants are required to contribute amounts ranging from 5% to 11% of their salary depending on plan entry date. Benefits vest after 10 years of qualified employment. Participants may receive retirement benefits at any age after 20 years of service, or at age 55 or over after 10 years of service.

Commonwealth of Massachusetts Employees' Retirement System (CMERS) -

CMERS is a cost sharing public employees retirement system covering all persons employed in public positions (other than those participating in the MTRS above) on a full-time (37 ½ hours per week) basis. Participants are required to contribute amounts ranging from 5% to 11% of their gross earnings depending on plan entry date. The Collaborative is required to contribute 7.8% of eligible employee gross earnings. Benefits vest after 10 years of employment. Participants may receive retirement benefits at any age after 20 years of service, or at age 55 or over after 10 years of service. Contributions by the Collaborative to the retirement system for the years ended June 30, 2011 and 2010 totaled \$279,049 and \$275,083, respectively.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

### (5) COMMITMENTS AND CONTINGENCIES

#### (a) Operating Leases

The Collaborative leases classroom and administrative space from various member and non-member school districts. Some of the arrangements are on a tenant-at-will basis and others are based on non-cancelable lease agreements with the district school committees ranging from 3 to 10 years. Included in these agreements are termination clauses providing for cancellation of the lease on the part of the school committee should the leased space become necessary for the school district's educational programs. The cancellation clauses include provisions for proper notice to the Collaborative. All lease agreements include annual renewal provisions.

Rent expense relating to all property leases totaled \$487,249 and \$505,202 for fiscal years ending June 30, 2011 and 2010, respectively.

The Collaborative also leases vehicles and office equipment under operating leases. Several of the vehicles under lease agreement were purchased during fiscal year 2010 through financing agreements with terms of 36 months and interest rates ranging from 5.71% to 6.31%. The approximate aggregate liability of these lease-purchases is \$44,000 as of June 30, 2010. The annual obligation is included in the minimum future rental payment schedule below.

Minimum future rental payments under all operating leases and finance agreements for each of the next five years and in the aggregate are:

Year Ending June 30,	Amount
2012	\$ 291,327
2013	273,829
2014	278,505
2015	243,276
2016	250,574
Thereafter	<u>1,079,757</u>
	<u>\$2,417,268</u>

#### (b) Employment Contract

The Collaborative has an employment contract with a key employee, which expires on June 30, 2013.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

(6) ACCRUED SICK PAY BENEFITS

The Collaborative allows employees to accrue sick pay benefits from year to year. The maximum allowable accrued sick pay benefit is 130 days for 2011 and 2010, for eligible employees. In addition to illness, employees can use their accumulated sick time to receive a lump sum severance benefit, upon retirement or death. An employee who has worked 12 or more consecutive years for the Collaborative is eligible for the lump sum severance benefit. The benefit is equal to 35% and 33% (at June 30, 2011 and 2010) of an employee's daily rate multiplied by the total sick days accumulated upon the day of retirement or death.

The maximum payment per employee is \$5,000 at June 30, 2011 and \$4,800 at June 30, 2010. As of June 30, 2011 and 2010, the Collaborative had an estimated liability of \$140,497 and \$144,169, respectively, relating to the lump sum benefit. These amounts are included in accrued expenses in the financial statements.

(7) UNEARNED REVENUE

Unearned revenue consists of advance billings for tuition; i.e. billings for summer school are typically done prior to June 30 of any given fiscal year. When this occurs, an entry is made to accounts receivable and the offsetting entry is to deferred revenue rather than current revenue. A comparison of accounts receivable net of the deferred revenue portion as of June 30 is as follows:

	2011	2010
Accounts receivable	\$2,268,295	\$1,625,157
Less - unearned revenue	<u>1,239,161</u>	<u>822,958</u>
Accounts receivable on services provided as of June 30	<u>\$1,029,134</u>	<u>\$ 802,199</u>

(8) CONCENTRATIONS

(a) *Cash and Cash Equivalents*

The Collaborative maintains its funds in a combination of federally insured banks and the Massachusetts Municipal Depository Trust, an investment fund offered by the State Treasurer's office to agencies, authorities, commissions, boards, cities and towns and other public units within the Commonwealth.

Amounts invested in the Massachusetts Municipal Depository Trust totaled \$408,943 and \$407,698 as of June 30, 2011 and 2010, respectively. According to published investment policies and restrictions, although uninsured, the Trust will invest in only high quality and primarily short-term investments.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

(8) CONCENTRATIONS (Continued)

*(a) Cash and Cash Equivalents (Continued)*

The Collaborative maintains some cash in bank deposit accounts at a highly rated financial institution. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2011 and 2010, the Collaborative's uninsured cash balances totaled \$1,718,358 and \$1,895,268, respectively.

*(b) Employees*

Approximately 91% of the Collaborative's employees are members of a collective bargaining union. The Collaborative's contract with the union was renegotiated during 2011 and will be in place until 2014.

*(c) Accounts Receivable*

At June 30, 2011, amounts due from one school district totaled \$465,651. The entire balance remained outstanding as of the date the financial statements were available to be issued.

The district has acknowledged that it is experiencing financial difficulty due to budget shortfalls, but has confirmed to management its intent to pay. No adjustment has been made to these financial statements in the event of a default by the school district.

(9) RETIREE HEALTH INSURANCE

Effective July 1, 1999, the Collaborative adopted a policy to offer health benefits to eligible retirees. This policy is at the sole discretion of the Board of Directors and, therefore, encompasses no liability on the part of the Collaborative.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

(10) NET ASSETS

In June of 2004 the Board of Directors of the Collaborative voted to designate \$600,000 of unrestricted net assets to a capital improvements fund. The breakdown is as follows:

	<b>2011</b>	<b>2010</b>
Net assets – undesignated	\$2,931,208	\$3,253,589
Net assets – capital improvements fund	<u>600,000</u>	<u>600,000</u>
Total unrestricted net assets	<u>\$3,531,208</u>	<u>\$3,853,589</u>

(11) SUBSEQUENT EVENTS

The company evaluated subsequent events through September 13, 2011, which is the date the financial statements were available to be issued.

**SOUTH COAST EDUCATIONAL COLLABORATIVE**

AUDITORS' REPORT PURSUANT TO GOVERNMENTAL  
AUDITING STANDARDS  
FOR THE YEAR ENDED JUNE 30, 2011



**Business Advisors  
Certified Public Accountants**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
South Coast Educational Collaborative  
Swansea, Massachusetts

We have audited the financial statements of South Coast Educational Collaborative (a nonprofit organization) as of and for the year ended June 30, 2011 and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the U.S. and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered South Coast Educational Collaborative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Coast Educational Collaborative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Coast Educational Collaborative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the Organization and the Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

September 13, 2011

*Pavento, Ratcliffe, Renzi & Co. LLC*